

## Message Text

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2725

S E C R E T JAKARTA 2097

NODIS

FOR ASSISTANT SECRETARY HABIB

E.O. 11652: GDS

TAGS: MASS, ID

SUBJECT: CONTINGENCY PLANNING FOR MILITARY SUPPLY TO INDONESIA

1. POSSIBILITY, HOWEVER REMOTE, THAT EITHER THROUGH GENERAL OR PARTICULAR CONGRESSIONAL ACTION GRANT AND POSSIBLY FMS MILITARY ASSISTANCE TO INDONESIA MIGHT BE CUT OFF LEADS ME TO SUGGEST THAT EA AND POSSIBLY PM AND DOD/ISA UNDERTAKE ON DISCREET BASIS SURVEY OF POSSIBLE ALTERNATIVE MEASURES OF MAINTAINING OUR EQUIPMENT SUPPLY RELATIONSHIP.

2. INFORMATION AVAILABLE FROM DOD SOURCES HAS IN SOME CASES BEEN INCOMPLETE. I, THEREFORE, FEEL NEED FOR FULL AND IMAGINATIVE STUDY IN WASHINGTON.

3. TIME FACTOR IS IMPORTANT. IF SOME SUDDEN CONGRESSIONAL ACTION SHOULD OCCUR AND WE HAVE NO POSSIBILITY TO REVERSE IT, ONLY MEANS I CAN SEE TO AVERT STRONG REACTION AND POSSIBLE SUDDEN SHIFT AWAY FROM US IS TO HAVE FACTS AND PROGRAM READY ON BASIS OF WHICH WE CAN HOPEFULLY REASSURE INDONESIANS THAT THEY WILL STILL HAVE ACCESS TO EQUIPMENT OF AMERICAN TYPE AND MANUFACTURE.

4. ALTERNATIVES WE HAVE IN MIND EXPLORING ARE:

A. INCREASING CO-PRODUCTION OF U.S. ITEMS IN INDONESIA. THIS ALREADY BEING DONE WITH PR77 RADIOS. PRODUCTION OF SECRET

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HELICOPTERS AND M-16 RIFLES DISTINCT POSSIBILITY. IF IN

DEPARTMENT'S VIEW FUTURE OF OUR CONCESSIONAL ASSISTANCE PROGRAM IS DOUBTFUL, PERHAPS WE SHOULD BEGIN TO SHIFT NOW TO PROJECTS WHICH INCORPORATE CO-PRODUCTION. INDONESIANS WOULD WELCOME THIS. WHAT ITEMS CAN REALISTICALLY BE CONSIDERED FOR CO-PRODUCTION? WHAT ARE POSSIBILITIES COMMERCIAL FINANCING FOR CO-PRODUCTION?

B. THIRD COUNTRY PRODUCTION. WHAT ARE REALISTIC POSSIBILITIES FOR PRODUCTION OF ITEMS IN CURRENT PROGRAM SUCH AS PSMMS IN KOREA OR TAIWAN? WHAT ARE FINANCING POSSIBILITIES? WE HAVE CONFLICTING INFORMATION ON THIS ITEM.

C. WHAT THIRD COUNTRIES MANUFACTURE EQUIPMENT UNDER U.S. LICENSE? IS ITALY, FOR EXAMPLE, POSSIBILITY? IS U.S. AGREEMENT TO LICENSE SALE OF SUCH EQUIPMENT GOVERNED BY FOREIGN ASSISTANCE ACT?

D. WHAT ARE SOURCES OF SURPLUS OR USED EQUIPMENT NOT GOVERNED BY FOREIGN ASSISTANCE ACT IN U.S. OR ABROAD?

E. ARE THERE FRIENDLY FOREIGN SOURCES OF COMPATIBLE EQUIPMENT NOT SUBJECT TO LICENSING?

F. WHAT ITEMS WOULD STILL BE AVAILABLE UNDER STRAIGHT COMMERCIAL SALE? IN SUCH CASES, WHAT WOULD BE POSSIBILITY OF COMMERCIAL FINANCING?

5. WE ARE ASSUMING THAT GRANT TRAINING COULD CONTINUE IN MOST CASES EVEN IF GRANT MAP IS TERMINATED.

6. WE HAVE PREPARED CONTINGENCY STUDY ON LIKELY IMPLICATIONS FOR OUR POSITION HERE IN EVENT OF CONCESSIONAL MILITARY AID TERMINATION WHICH WE ARE SENDING UNDER COVER OF LETTER TO ED INGRAHAM. WE LEAVE DISTRIBUTION WITHIN WASHINGTON TO YOUR DISCRETION.  
NEWSOM

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